

MINUTES OF THE
ASSESSING STANDARDS BOARD

Approved as Amended

DATE: March 22, 2013

TIME: 9:30 a.m.

LOCATION: Legislative Office Building – Room 301, 33 North State Street, Concord

BOARD MEMBERS:

Senator David Pierce
Representative Priscilla Lockwood
Len Gerzon, Public Member, Chairman
Eric Stohl, Municipal Official, Towns <5,000
Fred Keach, Municipal Official, City ~ *Absent*
Joseph Lessard, NHAAO, Towns >5,000
Marti Noel, NHAAO

Senator Bette Lasky ~ *Absent*
Representative Peter Schmidt
Stephan Hamilton, NHDRA
Vacant ~ Municipal Official, Towns >5,000
Robert J. Gagne, NHAAO, City
Todd Haywood, NHAAO, Towns <5,000
Thomas Thomson, Public Member ~ *Absent*

MEMBERS of the PUBLIC:

Joseph Haas, Gilmanton
Betsey Patten, Moultonborough
David Cornell, NH DRA

Mary Pinkham-Langer, NHDRA
Jim Michaud, Hudson

Chairman Gerzon convened the meeting at 9:40 a.m.

Manual Update

Chairman Gerzon reported there has been no subcommittee activity since the last meeting. However, he as Chairman of the subcommittee, has been working on drawing up the descriptors of the chapters and some of the other elements such as the foreword, introduction, dedication, definitions and index. The text in Chapters 1-14 is complete. Chairman Gerzon added Ms. Sandy Gromochack, who helped proofread the original manual, has offered to proofread this manual for grammar and punctuation. Once the final draft is complete, the subcommittee will reconvene a working session. Chairman Gerzon indicated the manual is still on schedule to be published by the third quarter of this year.

Minutes

Selectmen Stohl *motioned to accept the minutes of January 11, 2013*. Mr. Lessard *seconded the motion*. Senator Pierce made a suggestion to replace “former Representative” with “Honorable” before Betsey Patten. Chairman Gerzon called the motion to accept the minutes of January 11, 2013 as amended. Representative Schmidt abstained. *All others approved.*

Overview of Changes to the ASB Standards for Assessment Review

Mr. Hamilton began the discussion indicating the next 5-year assessment review cycle begins in 2013 and that now is the time to contemplate what it is the department will be testing the towns against. Due to a statutory change, the word “guideline(s)” has been changed to “standard(s)” throughout the document. The practical implication of the change of the word is negligible; however, the change still constitutes the standard against which the department judges the towns.

At the last meeting, there were a couple of concerns expressed by board members and members of the assessing community relating to how and why the department was proposing changes to the standards and where did they come from. Mr. Hamilton distributed a handout of bar graphs showing the results of the 2009, 2010 and 2011 assessment review towns, showing whether or not they met the guidelines in place at the time they were tested against.

The starting premise of the department’s analysis and the recommendations brought forward, which came from the work completed around current use assessment, was to look at the way towns were not meeting the standard. The department wanted to make sure if a town did not meet the standard, it was because they weren’t meeting the standard, not because there was something wrong with the test.

The bigger concerns were with current use and exemptions and credits. With regard to current use, the department reviewed how the guideline was written and realized the test was looking for the application to be perfect even when the application might have gone back to 1975, a time when the same expectation did not exist. It was understood there was a problem with the test; not a problem that the towns weren’t meeting the test. The way the test was written was impractical.

With regard to the exemptions and credits, the department recognized there was some confusion with the way the guidelines were written. Language has been added to clarify the standard and to create what the department believes to be a fairer test.

Standard III. B. Assessment practices substantially comply with applicable statutes and rules.

B. 2. versus B. 3.

Mr. Hamilton explained after looking at the results of B.2. and B.3., an inconsistency was found between the results of two tests that were testing the same relative data. The department is proposing a change in B.2. to loosen the standard from 95% accuracy to 90% accuracy in order to get a fairer test and more understandable results. This will allow for a 10% failure rate rather than the 5% previously allowed.

The department is also proposing a change to B.3. to tighten the standard from 85% accuracy to 90% accuracy. This test has a tolerance built in of 7.5% and the department feels the 85% allows a little too much play given the added tolerance. This change will coincide with the change recommended in B.2.

B.4. Pertains to current use. The board has worked on this portion of assessment review over the past year to come up with a way to call the records of the town good and to not anticipate perfection. The previous guideline was essentially testing for perfection. The department has proposed some added language which they believe will match the expectations the board set out to find earlier this year. Chairman Gerzon recapped a conversation at the last meeting with regards to the department coming up with a form to assist

the towns with current use. Mr. Hamilton indicated the department was willing to create a worksheet to assist the municipalities with following a procedure that will help them to comply with the requirement of the standard.

A brief discussion took place about the proposed changes to the standards and if something appeared to be working, why change it. Mr. Hamilton explained one of the things the department examined and wanted to have a good conversation about was why there are different percentages for the different tests. Mr. Michaud asked if there was a way to compare the first cycle statistics with the proposed percentage changes. Mr. Hamilton stated the department does not have the capability or the resources to do that. Mr. Gagne suggested measuring with both the old and new standards for the first year in order to create a comparison of changes. Mr. Hamilton indicated that is something the department could do. He reminded the board that this process is about testing and reporting not about finding a consequence and punishing a community. For those who do not meet the standard(s), they receive a letter indicating the area(s) they may need to refocus their attention and to identify where to put their limited resources. Beyond reporting to the ASB and the governing bodies of the communities, there is no consequence.

Mr. Hamilton explained the other concern expressed at the last meeting was the way the standards were worded. It appeared as though the department was imposing these standards on the town, which was not the intention. The intention was to make it clear that these were the standards the department would use to judge and to make sure we understood how the towns were or were not meeting the standards. There has been significant rewording within the standards so it is clear in each of the paragraphs that the department shall use these in order to make that test; not requiring towns to meet it.

III. A. Level of Assessments and Uniformity of Assessments

The standards have not changed and coincide with international and national standards and expectations:

1. The DRA shall determine if the median ratio falls between 0.90 and 1.10, inclusive,* with a 90% confidence interval. (*Added the word inclusive, without it, it would have meant we were testing for a narrower range; we never interpreted it that way)

III. B. Assessment practices substantially comply with applicable statutes and rules.

1. The DRA shall determine that all records of the municipality's assessor's office are available to the public pursuant to RSA 91-A*, including but not limited to: property record cards; tax maps; data collection manuals; sales analysis pertaining to assessment values; USPAP report; property inventory warrants; inventory forms (if applicable); and, PA-29, permanent application for credit/exemptions.

Mr. Hamilton explained the department looks to determine if there is public accessibility to public records within the community. We think this is an important statement and for the most part we use this as an opportunity to briefly examine and make sure the assessing department or selectmen understand the records are publicly available.

A discussion took place as to whether or not the PA-29 and USPAP report were public documents due to the information included on or within them. Mr. Hamilton stated whatever the board decides to put in the standard is not going to determine whether or not that document is subject to disclosure to the public or

not, it is simply advising that the assessor's office has public documents available. After further discussion, Mr. Hamilton suggested striking PA-29 from the standard. There was a consensus of the board to make this change.

1. The DRA shall determine that all records of the municipality's assessor's office are available to the public pursuant to RSA 91-A*, including but not limited to: property record cards; tax maps; data collection manuals; sales analysis pertaining to assessment values; USPAP report; property inventory warrants; and, inventory forms (if applicable).

Mr. Hamilton restated this is where the department is proposing the change from 95% accuracy to 90% accuracy as explained earlier.

2. The DRA shall determine that property record cards reflect assessments of properties as of April 1 (RSA 74:1). When tested, ~~95~~90% of the sample shall be correct. A municipality shall not assess parcels or new construction that did not exist as of April 1 of that tax year.

Mr. Hamilton explained if the original documentation cannot be located that there is a process by which the municipality can go through in order to provide equivalent documentation for that information. The department believes this will be an area of significant improvement in the performance of the towns. This change also applies to 4.b. and 4.c.

4. a. A timely filed Form A-10, Application for Current Use Assessment in accordance with RSA 79-A:5 and Cub 302. *If the original documents cannot be located, the municipality shall provide documentation of their attempt(s) to obtain the information from the landowner. If the landowner fails to respond, the municipal assessing officials may provide equivalent documentation to the best of their knowledge;

III. C. Exemption and credit procedures substantially comply with applicable statutes and rules:

Mr. Hamilton indicated the word "tax" should precede the word "credits" in section C and that change will be made throughout this section.

Mr. Hamilton explained this is the area the department is recommending a slight tightening of the standard from 85% of property record cards to have no material errors to 90%. This standard already has a tolerance built in where it has to be more than 7.5% of the value of the improvements or of the land or 5% of the total assessment. We believe 85% does not capture enough of the detail of what might actually be happening and that 90% would be a better measure and a reasonable amount to change the standard.

III. D. Assessments are based on reasonably accurate data: and

1. (In part) The municipality shall have no material errors on at least ~~[eighty percent]~~ 90% of the property record cards reviewed by DRA.

The word "assessed" has been added before the term "land value".

III. E. No change to the standard.

2. Changed all occurrences of the word "strata" to "stratum".

3. The DRA shall calculate the municipality's price related differential (PRD). The PRD shall be between .98 and 1.03,* inclusive, with a 90% confidence interval. (The word "*inclusive*" was added after 1.03)

V. Add "as needed" after the word annually in the first sentence.

Mr. Gagne *motioned to adopt the ASB Standards as revised on March 22, 2013*. Mr. Lessard *seconded the motion*. Discussion. Ms. Noel inquired as to the decision made on section D. 1. with changing the 85% to 90%. After a brief discussion Chairman Gerzon amended the initial motion *to accept section D. 1. as proposed on March 22, 2013, and printed*. Chairman Gerzon called the motion. Ms. Noel opposed. *All others approved*.

Mr. Gerzon called the initial motion, *with the exception of section D. 1*, to adopt the ASB Standards as amended on March 22, 2013. *All approved*.

Legislative Update

Representative Lockwood updated the board on the three House bills now with the Senate. The Senate hearing for all three is scheduled for Wednesday, March 27, 2013, beginning at 9:15 a.m. at the LOB - Room 102. A change was made to House Bill 147 to repeal the duty of the ASB pertaining to the contribution formula.

Sales Chasing Definition

Chairman Gerzon asked the board to review the IAAO definition of sales chasing that was distributed and to think about whether or not this definition should be adopted by the board. This topic will be on next meeting's agenda.

Meeting Schedule

April – No Meeting

Friday, May 17, 2013, at 9:30 a.m. at DRA

Mr. Gagne *motioned to adjourn*. Ms. Noel *seconded the motion*. Chairman Gerzon called the motion. *All approved*.

Chairman Gerzon adjourned the meeting at 12:17 p.m.

Respectfully Submitted, Stephanie Derosier
NH Department of Revenue Administration – Property Appraisal Division

Documentation relative to the Assessing Standards Board may be submitted, requested or reviewed by:

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Web: www.revenue.nh.gov
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